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In the Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-1097

ELECTRONICS CORPORATION OF AMERICA,
PETITIONER,

v.

HONEYWELL INC.,
RESPONDENT.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

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BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

Questions Presented

1. In a case in which the Petitioner has offered no evidence of damage and in which the District Court has found a waiver of any claim of damage is it material whether Section 35 of the Lanham Act, 15 U.S.C. 1117, should be consulted in determining whether the Petitioner can be awarded damages under Section 43(a) of the Lanham Act, 15 U.S.C. 1125(a)?

2. If the District Court held that proof of "palming off" was not required to establish a cause of action under

Section 43(a) of the Lanham Act, and the Court of Appeals in affirming merely stated it did not necessarily agree with this conclusion, is there a conflict between the decision of this Court of Appeals and other Courts of Appeals which have held that "palming off" is not required under Section 43(a) of the Lanham Act?

3. Was the District Court correct in ruling that the Petitioner was not entitled to an award of attorneys' fees in view of the decision in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967), that attorneys' fees are not recoverable in the absence of a statute or contract providing for the award of such fees?

4. Assuming a cause of action existed for unfair competition at common law, is it material whether state law or federal law applies to measure damages in a case in which there is no evidence whatsoever of actual damage and the District Court has found a waiver of actual damage, and, with respect to the Petitioner's claim of attorneys' fees, neither state law (Massachusetts) nor federal law permit an award of attorneys' fees?

Statement of the Case

The Statement of the Case as set forth in the Petition for a Writ of Certiorari[1] does not contain all of the facts which are material to the issues presented. The Respondent accordingly sets forth the following additional facts:

The District Court found that the Petitioner in this case had waived any claim of actual damage, both with respect to the Petitioner's Section 43(a) Lanham Act claim and its claim of common law unfair competition. The District Court's finding is set forth four times in the District Court's Opinion (Petition, Appendix B, pages 16, 17 and 18).

---

[1] The Respondent will hereinafter refer to the Petition for a Writ of Certiorari as the "Petition."

The District Court's Opinion contains other findings which may be relevant. These are as follows:

> "In the court's view, equitable considerations in this case work against the plaintiff. First, there has never been any showing of bad faith by the defendant, which has fully complied with the court's injunction. Second, plaintiff has merely thrown itself upon the discretion of the court in its prayer for damages and has offered no evidence on which the court could legitimately exercise its discretion in awarding damages." (Petition, Appendix B, pages 19 and 20).
>
> "Here the defendant did not set out to steal business by confusing the public; nor did he engage in otherwise flagrant behavior." (Petition, Appendix B, page 19).
>
> "As the Court of Appeals pointed out, there has been no deceit as to the origin of the defendant's product. 428 F.2d at 193. Notwithstanding the misrepresentations, defendant's conduct has not been of an aggravated nature." (Petition, Appendix B, page 20).

Reasons for Denying the Writ

I. General

The Petition presents three "issues" which are immaterial to the decision of the case at bar, and a fourth issue which has already been decided against the Petitioner's position by an overwhelming number of Circuit Courts of Appeals.

The three issues which are immaterial in the case at bar are whether Section 35 of the Lanham Act should be consulted in determining the money damages which can be awarded in case arising under Section 43(a) of the Lanham Act, whether "palming off" is necessary to es-

tablish a cause of action under Section 43(a), and whether state or federal law governs in determining whether money damages and attorneys' fees may be awarded on a "common law" unfair competition claim.

Both the Lanham Act issues are immaterial because, although this case was commenced as long ago as July of 1969, the Petitioner never offered a scintilla of evidence of actual damage and the District Court found that the Petitioner had waived any claim of actual damage. In short, these Lanham Act issues could be decided either way and yet have no bearing whatsoever on the outcome of this particular case.

It is also true that it makes no difference in this particular case whether state or federal law is applicable in determining what damages and attorneys' fees may be awarded on a common law unfair competition claim. It makes no difference because the Petitioner had no actual damage, *by any standard,* and both federal and Massachusetts law prohibit the award of attorneys' fees.

The fourth issue presented by the Petition is whether the decision in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.,* 386 U.S. 714 (1967) should be interpreted as merely disallowing the award of attorneys' fees in Section 35 Lanham Act cases or whether the American Rule against the award of attorneys' fees is of broader application. That issue has already been decided by an overwhelming number of Circuit Courts of Appeals, all of whose decisions are in accord. The decisions are that the American Rule does not allow attorneys' fees to be awarded except in a very limited number of situations. The case at bar does not come within any of such exceptions. The Circuit Court decisions are cited herein at page 10.

The case at bar contains no issue for which there are "special and important reasons" for granting the Petition. *Rule 19 of the Rules of the Supreme Court of the*

United States. The words of Justice Frankfurter in *Rice* v. *Sioux City Cemetery*, 349 U.S. 70 (1955) are appropriate here, at page 74:

> " 'Special and important reasons imply a reach to a problem beyond the academic or the episodic.' "

II. NEITHER THE FIRST CIRCUIT COURT OF APPEALS NOR THE DISTRICT COURT "HELD" THAT THE REMEDIES DESCRIBED IN 15 U.S.C. 1117 DETERMINE THE DAMAGES RECOVERABLE UNDER 15 U.S.C. 1125(a), BUT EVEN IF SUCH A "HOLDING" COULD BE FOUND, THE ISSUE IS IMMATERIAL IN THIS CASE SINCE THE PETITIONER OFFERED NO PROOF OF ACTUAL DAMAGE AND WAS FOUND TO HAVE WAIVED ANY CLAIM OF ACTUAL DAMAGE.

The opinion of the First Circuit Court of Appeals is set forth as Appendix A to the Petition. That per curiam opinion simply affirmed on the basis of the District Court's opinion, Appendix B to the Petition. If reference is then made to the District Court's opinion it will be seen that what the District Court did was to *assume* that Section 1117 should be consulted in determining whether there could be a money recovery under Section 1125(a). The Respondent says that since neither the District Court nor the Circuit Court in the case at bar considered and gave any reasons why Section 1117 should or should not be applied in an action arising under Section 1125(a), these lower court decisions in the case at bar are not significant decisions on the point.

Moreover, in the context of the case at bar, this issue is wholly academic and immaterial. The Petitioner here suffered no actual damage and the District Court found that the Petitioner had waived any such claim. The District Court's finding that the Petitioner had waived any

claim of actual damage is set forth four times in the District Court's opinion. (Petition, Appendix B, pages 16, 17 and 18). Suffice it to quote here the finding by the District Court at page 18 of the Petition:

> "Plaintiff having waived any attempt to show actual damages in dollars and cents, it is not entitled to compensation under the Lanham Act for what the court thinks its damages might have been."

Whatever standards or measures for the recovery of damages are consulted, the Petitioner here has none.

At page 6 of the Petition, the Petitioner cites the decision in *H. A. Friend & Co.* v. *Friend & Co.*, 276 F. Supp. 707 (C.D. Cal. 1967), aff. 416 F.2d 526 (9th Cir. 1969), cert. denied, 397 U.S. 914 (1970) as though that case sanctioned an award of damages under Section 1125(a) even in the complete absence of evidence of harm. No subsequent case has so interpreted the *Friend* case. The District Court in the case at bar correctly distinguished the *Friend* case on the basis that in the *Friend* case there was in fact evidence of actual harm, whereas in the instant case there is none whatsoever. (Petition, Appendix B, page 18).

There have been decisions on what proof is necessary for the recovery of money damages under Section 1125(a). All of such decisions require proof of actual damage.

Hesmer Foods, Inc. v. *Campbell Soup Company*, 346 F.2d 356 (7 Cir. 1965).

Gold Seal Co. v. *Weeks*, 129 F. Supp. 928 (D. Ct. D.C. 1955), aff. 230 F.2d 832, c.d. 352 U.S. 829.

Parkway Baking Co. v. *Freihofer Baking Co.*, 255 F.2d 641 (3 Cir. 1958).

Smith Victor Corp. v. *Sylvania*, 242 F. Supp. 302 (N.D. Ill. 1965).

In the *Gold Seal* case, the Court said, at page 940:

> "We therefore deny injunctive relief to Johnson. We also deny relief under Section 35 of the Lanham Act in the form of an accounting for profits and damages. *Suffice it to say Johnson's attempt to analogize Section 43(a) to a libel action, making proof of actual damages unnecessary, is totally without support in law or reason.* Pecuniary recovery must be individualized, loss of sales must be shown. Section 43(a) was to promote fair business dealings. It was not to provide a windfall to an overly eager competitor." [Emphasis supplied].

The Respondent respectfully submits that in the case at bar the alleged issue of whether Section 1117 should be consulted in a Section 1125(a) action is not deserving of review by the Supreme Court of the United States.

III. THE FIRST CIRCUIT COURT OF APPEALS MADE NO CONSTRUCTION OF SECTION 43(a) OF THE LANHAM ACT, 15 U.S.C. 1125(a), WHICH WOULD REQUIRE THAT "PALMING OFF" BE PROVED UNDER THAT SECTION, THE DISTRICT COURT IN FACT RULED "PALMING OFF" WAS NOT REQUIRED, AND THE ISSUE IS IMMATERIAL IN THIS CASE SINCE THE PETITIONER OFFERED NO PROOF OF ACTUAL DAMAGE AND WAS FOUND TO HAVE WAIVED ANY CLAIM OF ACTUAL DAMAGE.

The Petitioner, beginning at the bottom of page 6 of the Petition and running through the first six lines at the top of page 8, attempts to convince this Honorable Court that a "conflict" somehow exists between the decision

of the First Circuit Court of Appeals and decisions of other Circuit Courts on the issue whether "palming off" is an essential element of a cause of action under Section 43(a) of the Lanham Act, 15 U.S.C. 1125(a). It is crystal clear, however, that the First Circuit Court of Appeals made no such decision. What the Circuit Court said on the point was as follows:

> "Our second comment is that in relying on the district court opinion, we do not indicate necessary agreement with its conclusion that palming off is not an essential element of a Lanham Act claim. We say this only because such a stance is not necessary for the decision of this appeal." (Petition, Appendix A, page 12).

The District Court had ruled that proof of palming off was not required (Petition, Appendix B, pages 15 and 16) and the Circuit Court merely stated that it did not necessarily agree with the District Court's ruling. That is hardly the equivalent of a decision by the Circuit Court that proof of "palming off" is required in a Section 43(a) case.

Moreover, the issue, as with other issues for which review is sought, is immaterial in the case at bar because the Petitioner offered no proof of actual damage and the District Court found the Petitioner had waived any claim of actual damage. (Petition, Appendix B, pages 16, 17 and 18). A decision by the Supreme Court of the United States that proof of "palming off" was not required in a Section 1125(a) action would not have any effect whatsoever on the outcome of the case at bar. The issue here is wholly academic and should not be reviewed by the Supreme Court of the United States.

IV. The Decisions of the Courts Below Not To Award Attorneys' Fees on the Petitioner's Non-Section 35 Lanham Act Claims Was Correct Under *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967), and in Harmony With the Decisions Since *Fleischmann* by Other Circuit Courts.

It is the Petitioner's contention that the opinion in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967) should be applied only to cases arising under Section 35 of the Lanham Act, 15 U.S.C. 1117, and that in cases not arising under that specific section American courts should be free to award attorneys' fees. Such a contention ignores the discussion of this Honorable Court in its opinion in *Fleischmann* and the clear contrast illuminated in that discussion between the "American Rule" and the "English Rule" as to the award of attorneys' fees. At page 717 of its opinion this Honorable Court said:

> "Although some American commentators have urged adoption of the English practice in this country, our courts have generally resisted any movement in that direction. The rule here has long been that attorney's fees are not ordinarily recoverable in the absence of a statute or enforceable contract providing therefor."

The Court went on to recognize certain limited exceptions to the American rule. The case at bar does not fall within any of those exceptions.

The Petition also ignores the following decisions by other Circuit Courts since *Fleischmann*, all of which declined to award attorneys' fees in cases not involving Section 35 of the Lanham Act:

Gore v. *Clearwater Shipping Corporation*, 378 F.2d 584 at 587 (3 Cir. 1967), *Sanford Research Co.* v. *Eberhard Faber Pen and Pencil Co.*, 379 F.2d 512 at 517 (7 Cir. 1967), *Washington Aluminum Co.* v. *Pittman Construction Co.*, 383 F.2d 798 at 805 (5 Cir. 1967), *Kiefel* v. *Las Vegas Hacienda, Inc.*, 404 F.2d 1163 at 1170 (7 Cir. 1968) cert. den. 395 U.S. 908, reh. den. 395 U.S. 987 (1969), *Missouri Pacific Railroad Company* v. *Slayton*, 407 F.2d 1078 at 1083 (8 Cir. 1969) cert. den. 395 U.S. 937, reh. den. 397 U.S. 1081 (1970), *Air Line Pilots Assn., Internat.* v. *Northwest Airlines, Inc.*, 415 F.2d 493 at 498 (8 Cir. 1969) cert. den. 397 U.S. 924, *Friend* v. *H. A. Friend and Company*, 416 F.2d 526 at 534 (9 Cir. 1969) cert. den. 397 U.S. 914 (1970), *Kahan* v. *Rosenstiel*, 424 F.2d 161 at 165 (3 Cir. 1970) cert. den. 398 U.S. 950 (1970), *Bangor & A. R. Co.* v. *Brotherhood of Loc. Fire & Eng.*, 442 F.2d 812 at 823 (Dist. of Col. 1971), *Textron* v. *Spi-Dell Watch and Jewelry Co.*, 406 F.2d 544 at 545 (2 Cir. 1968).

In the foregoing decisions seven of the eleven circuit courts are represented, and all of the decisions are in accord.

Moreover, in the case at bar, even if it were to be held that attorneys' fees could be awarded, which would be a plain departure from the American Rule as set forth in *Fleischmann*, nevertheless at the very most such an award should be in the discretion of the trial court and should only be made in extreme cases involving flagrant or wanton conduct. In the case at bar there is not even an argument by the Petitioner that this is an extreme case, let alone any evidence or findings to such effect. The reverse is in fact the case, as evidenced by the District Court's findings that the Respondent had not been shown to be in bad faith, had fully complied with the District Court's

injunction, did not engage in flagrant behavior or in conduct of an aggravated nature. These findings are set forth herein at page 3.

The Respondent respectfully submits that in the case at bar the issue of attorneys' fees is not on any count an issue deserving of review.

V. THE COURTS BELOW CORRECTLY APPLIED STATE LAW TO DETERMINE WHAT DAMAGES, IF ANY, THE PETITIONER WAS ENTITLED TO RECOVER FOR COMMON LAW UNFAIR COMPETITION, BUT THE ISSUE IS IMMATERIAL IN ANY EVENT IN THIS CASE SINCE THE PETITIONER OFFERED NO PROOF OF ACTUAL DAMAGE AND WAS FOUND TO HAVE WAIVED ANY CLAIM OF ACTUAL DAMAGE; NEITHER STATE NOR FEDERAL LAW PERMITS AN AWARD OF ATTORNEYS' FEES SO THAT THE ISSUE OF WHICH LAW SHOULD BE APPLIED ON THIS ISSUE IS ALSO IMMATERIAL.

On page 9 of its Petition, the Petitioner cites *Flexitized, Inc.* v. *National Flexitized Corp.*, 335 F.2d 774 (2d Cir. 1964) cert. denied 380 U.S. 913 (1965) as holding that state law should be applied in determining the damages recoverable for common law unfair competition. It should be noted that certiorari was denied in the *Flexitized* case, even though the issues in that case, unlike the case at bar, were not academic.

The *Flexitized* case has been widely followed, the cases to the contrary are few and far between, and the Respondent submits that the *Flexitized* rule is the correct one. But in any event the question is academic in the case at bar. The Petitioner offered no proof of actual damage and the District Court found that the Petitioner had waived any claim of actual damage. Whatever "common law" is governing, state or "federal", no money damages can be awarded without proof of damage and in the face of a waiver of damages.

As to attorneys' fees, if, as contended for by the Petitioner, "federal" common law is applicable then *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967) prohibits the award of attorneys' fees on a common law unfair competition claim. See also the decision in *Textron* v. *Spi-Dell Watch and Jewelry Co.*, 406 F.2d 544 (2d Cir. 1968). If an award of attorneys' fees is governed by state law, then under Massachusetts law an award of attorneys' fees in the very case would have been wrong as a matter of law. *Goldberg* v. *Curhan*, 332 Mass. 310 (1955). Accordingly, the issue of the applicable law governing attorneys' fees on a common law unfair competition claim, is, in the case at bar, an immaterial issue.

The case of *Cutler-Hammer, Inc.* v. *Standard Relay Corp.*, 328 F. Supp. 868 (S.D. N.Y. 1970), affirmed per curiam 444 F.2d 1092 (2 Cir. 1971), cited on page 9 of the Petition, was a flagrant case, involving fraud on the Court, false answers to interrogatories, and contempt and disrespect of Court orders. The defendants' conduct in the *Cutler* case was described as "deliberate, fraudulent and wanton" at page 882 of the Court's opinion. If justification existed in the *Cutler* case for an award of attorneys' fees, that justification can only be found in the flagrant nature of the defendants' conduct. No such conduct is present in the case at bar. The reverse is in fact true, as evidenced by the findings of the District Court, set forth herein at page 3.

The Respondent submits that the Courts below correctly decided the question of what common law governed the measure of damages and attorneys' fees, and that in any event the question of what law governs these matters is wholly immaterial and academic in the case at bar.

Conclusion

The Respondent respectfully submits that there are no special and important reasons to review any of the issues raised by the Petition since three of the four issues presented cannot affect the outcome of the case at bar and the fourth has already been decided against the Petitioner's position by each Circuit Court of Appeals which has had occasion to decide the issue.

Respectfully submitted,

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